Deposit Beverage Container Program

Presentation to the Hawaii State Senate Committee on Health and Human Services

October 16, 2025

HAWAII STATE DEPARTMENT OF HEALTH

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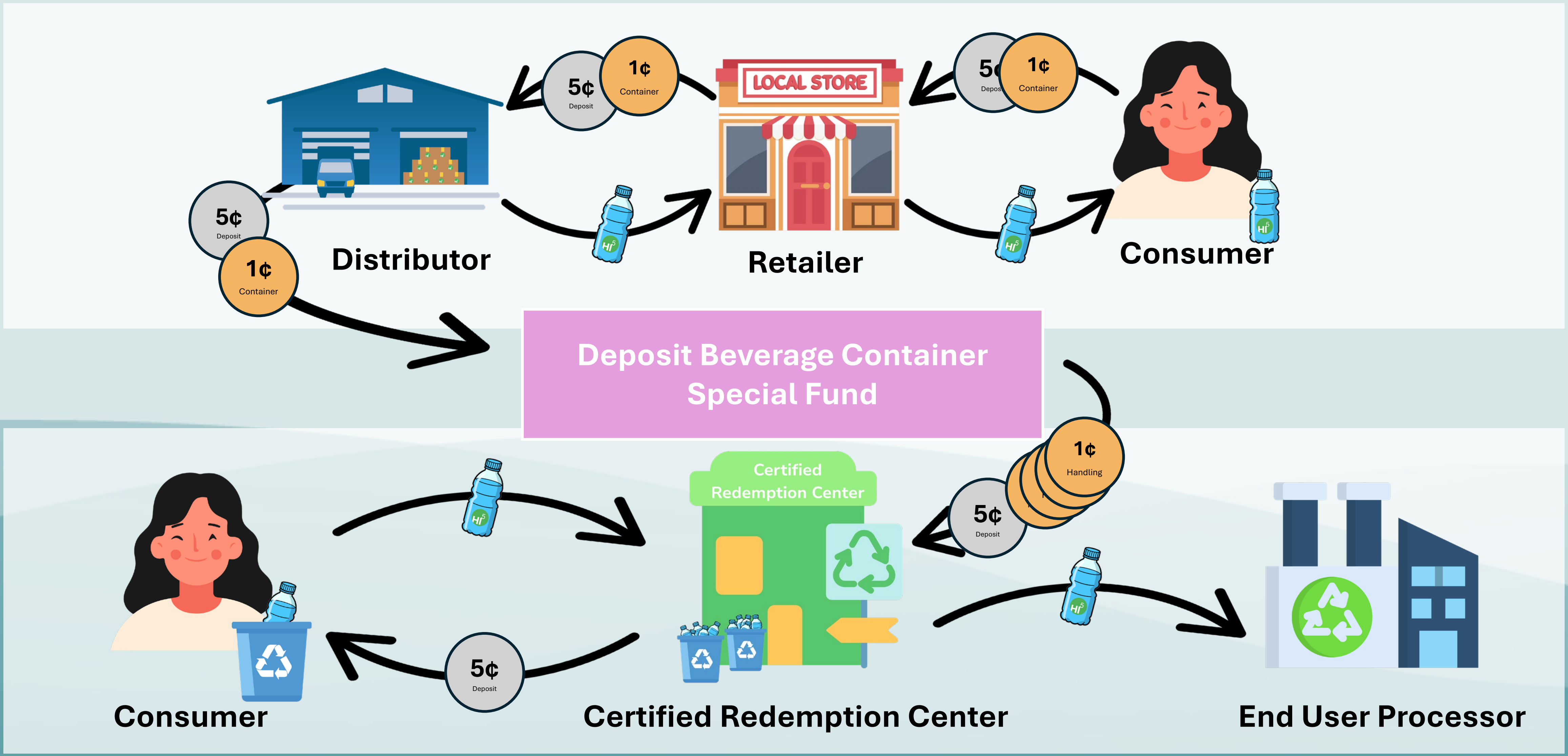
Deposit Beverage Container Program Objectives

- Increase program participation and recycling rates for deposit beverage containers (DBCs) and reduce litter
- Strengthen the connection between manufacturing decisions and recycling program management to divert waste from landfills
- Improve transparency and accountability of the DBC program and address program deficiencies

Deposit Beverage Container Program Overview



State Auditor Recommendations

1. Establish clear, measurable objectives for the DBC program, including action plan(s), and policies and procedures

2. Establish internal controls, including policies and procedures, to ensure that program management is addressing the issues reported in prior audit reports and managing the Program appropriately

3. Develop an action plan that includes a risk-based process to select distributors and certified redemption center reports for periodic audit, a requirement for distributors to submit records that support the Monthly/Semi-Annual Distribution Report forms, and develop policies and procedures to consider and initiate enforcement action.

4. Require certain distributors to develop and submit an internal control process

5. Develop policies and procedures to direct and guide staff in their respective program responsibilities

6. Retain third-party services to administer the DBC program

7. For each certified redemption center, annually reconcile the weight of the materials redeemed with the weight ticket(s) for each material

8. Develop an electronic reporting system that requires distributors and redemption centers to input information directly into a centralized database.

Strengthening Program Objectives & Procedures

- Accounting and Inspection and Enforcement manuals are being updated and finalized
  - Both have been integrated into operations to ensure staff are carrying out tasks uniformly
- DBC staff are working to implement a project plan to address audit recommendations

Recommendations addressed:
- Recommendation 1 – Establish clear, measurable objectives for the DBC program
- Recommendation 2 – Establish internal controls, including policies and procedures
- Recommendation 3 – Develop an action plan . . . and policies and procedures to consider and initiate enforcement action
- Recommendation 5 – Develop policies and procedures to direct and guide staff in their respective program responsibilities

Audit & Process Improvement

- DOH-Conducted Risk-Based Audits (HRS 342G-121.5(a-b))
  - Finalizing an RFP for accounting, audit, and compliance services that will focus on CRCs and distributors
- Distributor Internal Control Process Document (HRS 342G-121.5(c)(1))
  - Due to program on June 30, 2025
  - Enforcement action underway for non-compliance
- Distributor Independent Audits (HRS 342G-121.5(c)(2))
  - Following outreach from small businesses, the administration issued an executive order to delay enforcement
  - Work underway on a proposal for a legislative solution

Recommendations addressed:

- Recommendation 2 – Establish internal controls, including policies and procedures
- Recommendation 3 – Develop an action plan that includes a risk-based process to select distributors and certified redemption center reports for periodic audit [and] a requirement for distributors to submit records that support the Monthly/Semi-Annual Distribution Report forms
- Recommendation 4 – Require certain distributors to develop and submit an internal process control
- Recommendation 7 – For each certified redemption center, annually reconcile the weight of the materials redeemed with the weight ticket(s) for each material

Electronic Reporting System

Work Completed

- Created foundation of system, including database and mapping capability for CRCs and distributors
- Rolled out mobile inspection component, which is being tested by inspectors in the field

Work Underway

- Entering into agreement with contractor to build electronic distributor reporting
  - Build expected to take 5-6 months
  - Eliminate paper and manual data input
  - Increase efficiency and ensure accuracy
  - Will also be able to upload documents that support their reports and payments

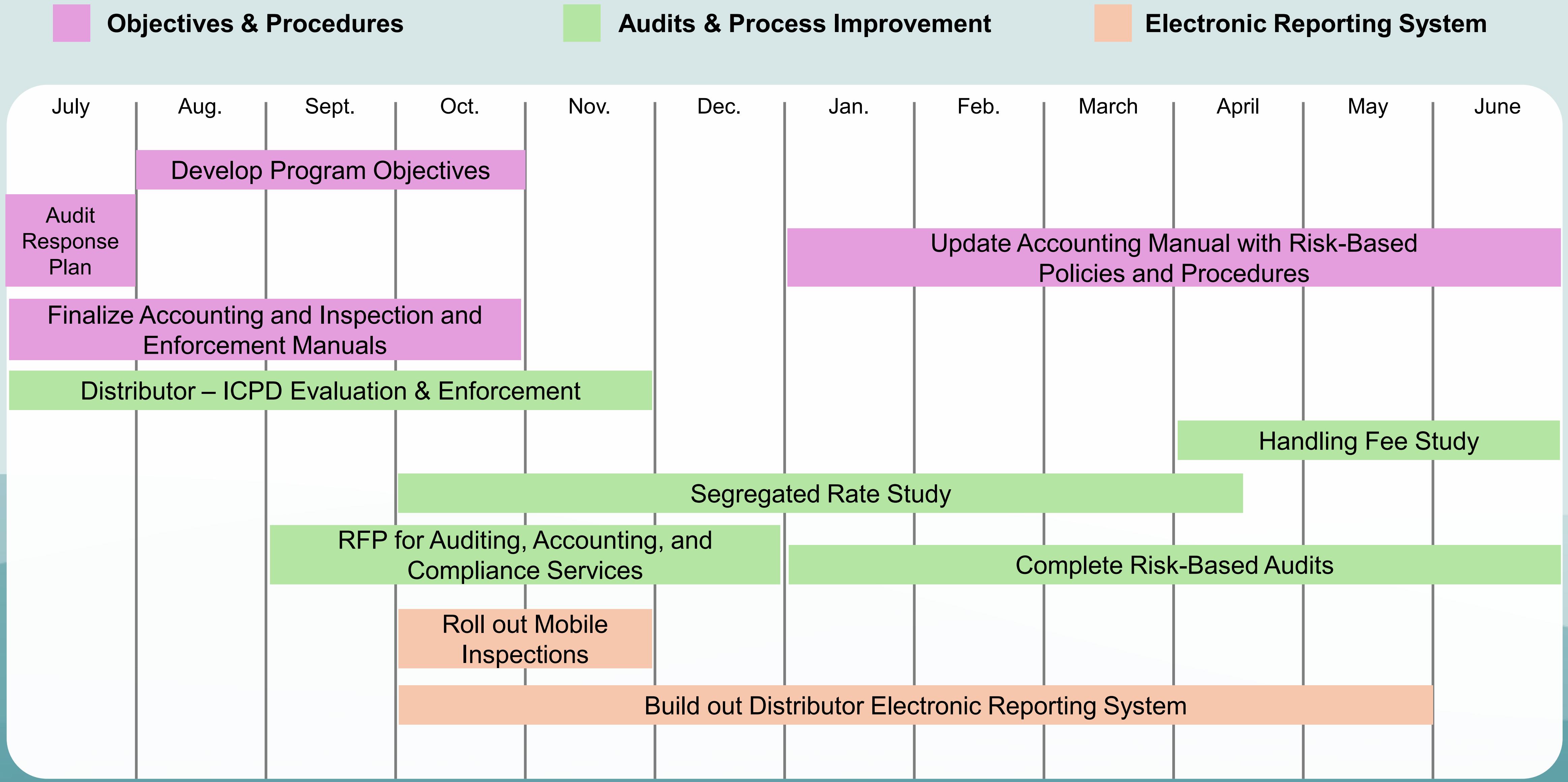
Recommendations addressed:

- Recommendation 8 – Develop an electronic reporting system that requires distributors and redemption centers to input information directly into a centralized database.

Additional Work Underway

- Updating segregated rate and handling fee studies to determine if rates need to be changed
- Reorganization of the Solid and Hazardous Waste Branch will build out planning and enforcement sections
    - This will better equip the Office of Solid Waste Management to focus on its recycling programs: the DBC Program, Glass ADF Program, and E-Waste Recycling Program
- Evaluating options to increase number of Certified Redemption Centers in gap areas

Audit Recommendations Implementation Timeline (2025-2026)



Mahalo!

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